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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, May 24, 2002

APPLICATION OF

SOUTH ANNA SERVICE CORPORATION

and

CASE NO. PUA-2002-00009

COUNTY OF HANOVER, VIRGINIA

For approval of sale of assets to Hanover County

ORDER GRANTING APPROVAL

On February 26, 2002, South Anna Service Corporation (the “Corporation”) and the County of Hanover, Virginia (the “County”), (collectively, the “Applicants”) filed an application with the State Corporation Commission (“Commission”) under the Utility Transfers Act requesting approval of the sale of assets to the County. More specifically, the Corporation requests approval to sell, and the County requests approval to purchase, the operating assets of the wastewater treatment facility currently owned by the Corporation in order to provide public wastewater utility services to the County residents in the Country Club Hills Subdivision (“Country Club Hills”).

The Corporation represents that the terms of the asset sale were negotiated, through counsel, at arm’s length. The proposed sales price of the operating assets is \$300,000.00. The negotiated purchase price was based on an appraisal of the operating assets conducted by a certified independent appraiser hired by mutual agreement of the Corporation and the County.

The proposed sale by the Corporation to the County was approved by a vote of at least two-thirds of the eligible shareholders of common voting stock.

The County Administrator notified the current customers of the Corporation in writing of the County's proposed purchase of the Corporation's wastewater treatment facility pursuant to a January 14, 2002 notice, which advised customers of a public hearing on the matter. After a public hearing held on January 23, 2002, the County Board of Supervisors approved the proposed purchase contingent on the creation of a sanitary district for the residents of Country Club Hills. The Circuit Court of the County of Hanover approved the creation of that sanitary district on April 12, 2002, in Case No. CH02-96.

The Corporation represents that the sale to the County will result in a more efficient means of providing wastewater treatment service to Country Club Hills residents. The Corporation also represents that the sale will allow for the eventual closure of the current lagoon and the integration of the wastewater treatment facility into the public wastewater system. Integration into the County's public wastewater treatment system will allow for increased capacity and potential for growth that would not otherwise be possible and will provide a higher quality and reliability of service to customers.

The private wastewater treatment facility currently owned and operated by the Corporation will be operated in the same manner as the County operates similar facilities. At a minimum, the County will need to construct a pump station and force main and will need to abandon the lagoon to connect to the public wastewater system.

The residents of Country Club Hills will bear the direct cost of debt service to fund the purchase from the Corporation and the capital cost to interconnect the wastewater treatment facility. The debt service repayment is estimated to be approximately \$20 per month, or \$40 per

billing cycle, over a 20-year period in addition to applicable user fees. Based on information provided in the application, customers were notified of the proposed implementation of the sanitary district and the fees proposed for interconnection to the sanitary district.

THE COMMISSION, upon consideration of the application and representations of the Applicants and having been advised by its Staff, is of the opinion and finds that the transfer of operating assets of the Corporation to the County as described herein will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved.

Accordingly, IT IS ORDERED THAT:

- 1) Pursuant to §§ 56-89 and 56-90 of the Code of Virginia, South Anna Service Corporation is hereby granted approval to sell its operating assets used to provide wastewater utility services to the residents of the Country Club Hills Subdivision in Hanover County, Virginia, to the County at the sales price of \$300,000.00, and under the terms and conditions as described herein.
- 2) The approval granted herein shall have no ratemaking implications.
- 3) South Anna Service Corporation shall submit a report to the Commission's Director of Public Utility Accounting within 30 days of the consummation of the above-referenced sale, subject to extension by the Director of Public Utility Accounting. Such report shall include the date of the sale and the actual sales price.
- 4) There appearing nothing further to be done in this matter, it hereby is dismissed.